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BEFORE THE ARIZONA CORPORATION COMMISSION
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PAUL NEWMAN SANDRA D. KENNEDY BOB STUMP	AZ 0 000	OT.P CKET	COMPREL :
IN THE MATTER OF THE TRICO ELECTORY COOPERATIVE, INC.'S APPLICATION)	DOCKET NO. E-01461A-09-0450
APPROVAL OF A NET METERING TAI	RIFF.)	NOTICE OF FILING
)	

Trico Electric Cooperative, Inc. ("Trico") hereby files the Direct Testimony of Karen Cathers in the above-mentioned docket.

RESPECTFULLY SUBMITTED this 30th day of September, 2010.

ROSHKA DEWULF & PATTEN, PLC

Bv

Michael W. Patten

Jason D. Gellman

One Arizona Center

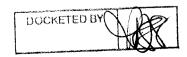
400 East Van Buren Street, Suite 800

Phoenix, Arizona 85004

Attorneys for Trico Electric Cooperative, Inc.

Arizona Corporation Commission DOCKETED

SEP 3 0 2010



ROSHKA DEWULF & PATTEN, PLC

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7	IN THE MATTER OF THE TRICO ELECTRIC) DOCKET NO. E-01461A-09-0450 COOPERATIVE, INC.'S APPLICATION FOR)
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13	Direct Testimony of
14	Karen Cathers
15	Karen Camers
16	on Behalf of
17	on Benan of
18	Trico Electric Cooperative, Inc.
19	Theo Electric Cooperative, Inc.
20	September 30, 2010
21	September 30, 2010
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- Q. Please state your name and business address.
- A. My name is Karen Cathers and my business address is 8600 West Tangerine Road,
 Marana, Arizona, 85658

- Q. What is your position with Trico Electric Cooperative, Inc. ("Trico" or the "Company")?
- A. I am the Chief Operating Officer of Trico.

- Q. Please describe your involvement and responsibilities specifically with Trico's net metering tariff and program.
 - A. Among my responsibilities as Chief Operating Officer of Trico are the management and oversight of the Cooperative's power supply, regulatory affairs and renewable energy programs. The formulation and implementation of Trico's net metering program and tariff are included within those responsibilities.

A.

- Q. What is the purpose of your direct testimony?
 - On behalf of Trico, I am providing additional evidence and testimony supporting Trico's net metering administrative charge as fair and reasonable. In Decision No. 71462 (January 26, 2010), the Commission approved Trico's net metering tariff, including a \$3.38 monthly administrative charge. Mr. Arkoosh believes this charge is unsubstantiated under A.A.C R14-2-2305. But that is simply not the case. Trico supported this charge request through discovery provided to Staff in the original filing, in a manner consistent with net metering proceedings conducted by the Corporation Commission with respect to the other Arizona electric utilities. Trico attached this information to its Petition to Re-Open Decision No. 71462 granted in Decision No. 71694 (May 14, 2010). I understand that information is now part of the record in this case. Trico believes it has fully supported its net metering administrative costs in

accordance with the net metering rules. Even so, I am providing additional support through my testimony.

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What is Trico attempting to accomplish with its net metering program and Q. technology?

In its net metering program, Trico intended to comply with both the letter and spirit of the A. ACC's Net Metering Rules (the "Rules"). Trico's directors are member/customers of Trico, elected by Trico customers. With that in mind, the Trico board approved the implementation of a net metering tariff in compliance with the Rules, and provided to participating customers the smart meter technology necessary to understand and make informed decisions regarding their distributed generation system and energy usage. We have found that our member/customers participating in the net metering program are typically focused on such information and demand that we provide it. We believe that information is an essential element of a successful net metering program.

Please explain what technology Trico uses to provide for net metering as opposed to Ο. its standard rate metering.

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A.

allows the meter to measure energy flow both to the customer and from the customer on a 15 minute interval basis to provide the customer and Trico with the information necessary for an effective net metering program. Fifteen minute interval data is an

Certainly. The principal difference between them is that Trico's net metering technology

industry standard for such technology.

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For its net metering program, Trico uses an Itron CENTRON meter type, which has an on-board SmartSynch® communications module that is integrated into the meter. I will refer to those elements collectively as the "SmartSynch Metering System." The CENTRON meter communicates with a server running SmartSynch's Transaction

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Q. How many customers currently have the SmartSynch Metering System?

SmartSynch Metering System provides information

can provide both usage information and load profile graphs to the customer.

A. Presently we have approximately 2,500 residential customers that have the SmartSynch Metering System. Over the next year, we anticipate installing an additional 500 SmartSynch Metering Systems for residential customers.

Management System or "TMS" over secure public wireless networks. This means that

communication. This data is also sent to Trico's internal web page server – so that Trico

By comparison, Trico's standard meters are read using a power line carrier system, which

allows remote meter reads through the Trico distribution wires. This "Standard Meter

through

cell-phone

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Q. What are the costs for the SmartSynch Metering System?

System" does not provide interval data.

A. Trico purchases the meter (including the communications technology) from SmartSynch, Inc. in accordance with a meter services agreement. I have attached that agreement and the addendum no. 1 to that agreement as Exhibit 1 to my testimony. The fees are included on the last page of that agreement entitled "Exhibit B – Fee Schedule" and the addendum.

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Each CENTRON meter costs \$245. The monthly communications fee for bi-directional interval metering is \$5.00 per month. Trico also uses the SmartSynch Metering System for customers on other more complex rate tariffs such as Time-of-Use ("TOU") and for large commercial customers. These have different monthly communication charges from SmartSynch depending the amount and type of data to transfer. In particular the communication charge for a residential TOU account is \$1.50 per month versus the \$5.00

per month charge for a residential net metering account (which has a higher fee to provide the data for both directions of flow to and from the customer). In addition Trico has some large commercial customer accounts that require more data than for a residential account and the fee is \$7.00 per month, as well as, some system voltage monitors that provide data for reliability purposes with a fee of \$9.00 per month. I have attached an invoice from SmartSynch that shows what Trico pays for a net metering bidirectional meter as Exhibit 2 to my testimony.

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By comparison, what are the costs for a standard meter? Ο.

A standard meter costs \$101. This includes \$73 for the meter itself, plus \$28 for the communications module. I have attached an invoice from Hunt Technologies that reflects the cost of these meters as Exhibit 3 to my testimony.

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The meter reading cost embedded in Trico's standard rate tariffs is \$1.62 per month. The \$1.62-charge is what Trico included as a line item charge in the cost of service study from its last rate case in Docket No. E-01461A-08-0430. Again, Trico's standard meters are read using a powerline carrier system, which allows remote meter reads through the Trico distribution wires. This system required a multi-million dollar investment but that investment is spread over 30,000 customers. The \$1.62 rate was approved by the Commission and reflects that investment and the cost of those readings. However, this system is not able to provide the sophisticated remote reading capability that the SmartSynch Metering System does. As discussed below, it would be prohibitively expensive to upgrade the standard meter system such that it would provide the data equivalent to the SmartSynch Metering System for the few hundred residential customers that will require net metering.

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Q. What is the reasoning behind using SmartSynch technology for net metering customers?

A. The reason for using such technology is because it is the type of all-in-one meter and communications system that is ideal for meeting the necessary objectives for the few customers on special rate classes spread throughout Trico's service territory. Trico's power line carrier system is efficient for its standard rate class residential customers; and that system is also cost-efficient because the cost is spread over more than approximately 30,000 customers. But it is not cost-efficient for Trico to spend the money needed so that the power line carrier system could accommodate net metering. The SmartSynch technology is far more cost-efficient to accommodate the 200 or so customers with net metering.

Q. Does the SmartSynch technology, in your opinion, save net metering customers money?

Yes. Implementing the SmartSynch technology (cell phone communication) is much cheaper than Trico physically sending someone out on a special trip just to read the meter each month. Using Mr. Arkoosh's Saddlebrooke location as an example, Trico would have to send a meter reader out to read his meter every month. That means a 24.19-mile trip, taking about 34 minutes each way. At \$16.30 per hour for the employee, and \$0.41 per mile for the vehicle, the cost would be approximately \$38.31 per month. Trico does not yet have a sufficiently concentrated load of net metering customers to provide a reduced per customer cost for such meter reads. Also, Trico has almost fully transitioned to automated meters; so it does not have enough meter readers to perform reads of this nature, and would have to increase its staff to do so. Having an automated meter reading system (SmartSynch) for a \$5.00 communications fee is *clearly* less expensive by comparison, and provides the interval data essential to the success of the net metering program as I have described above.

Q. How did Trico determine the \$3.38 administrative charge for its net metering customers?

A. Trico simply subtracted the \$1.62 standard meter reading cost from the \$5.00 monthly bidirectional communications fee. The difference equals \$3.38.

Q. Did Trico include any costs associated with the cost of the SmartSynch bidirectional meters in determining its administrative charge?

A. No. If Trico had, the incremental cost of the meter (equaling \$144) would have been amortized and added to the \$3.38 charge. For instance, amortizing \$144 over 15 years with a 7% interest/depreciation would have resulted in additional incremental charge of \$1.29 per month. As I testified in my previous answer, the administrative charge is simply the increased cost over what is in standard rates for the monthly communications fee.

Q. Had Trico originally requested a \$4.38 monthly administrative charge?

- A. Yes. Trico originally proposed to also include its costs for data storage estimated to be about \$1.00 per month. Staff recommended against including the data storage cost, but supported the \$3.38 administrative charge. Staff also rejected the customer paying for the incremental cost of the additional metering as an up-front payment.
- Q. Are there other costs you have not yet mentioned that Trico currently incurs for net metering that are not included as part of the \$3.38 monthly administrative charge?
- A. Yes. Trico incurs additional costs for implementing and coordinating net metering with its billing system. Specifically, Trico had to have special programming installed into its billing system to accommodate net metering customers. Trico staff worked with the software manufacturer for over a year in preparation to implement net metering in its service territory. But because net metering is a complicated tariff, the billing is still not

yet automatic; each bill must be checked by hand each month to verify the accuracy of the billing for each net metering customer. The \$3.38 monthly administrative charge contains none of these billing costs.

As stated above, Trico did not get recovery of the up-front difference for the additional metering. Also, Trico did not request to include (in the alternative) the incremental metering costs in the administrative charge. If it had done so, assuming a 15-year life and 7% interest depreciation, Trico could have requested to include an additional \$1.29 in the monthly administrative charge.

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Additionally, Trico lost approximately \$142,000 it did not recover in fixed costs related to net metering in 2009. That is the product of the fixed-cost portion of Trico's rate (equal to \$0.08360 per kWh) multiplied by the net metering energy of approximately 1,700,000 kWh. Given how Trico's renewable programs are expanding, it expects this dollar loss to more than double in 2010. This represents an additional cost through future rates to member/customers that do not participate in net metering.

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Do you believe this information provides cost information to justify a charge of Q. \$3.38 charge for Net Metering customers under A.A.C. R14-2-2305?

Yes, I do. Rule 2305 indicates that the utility must provide cost of service studies and benefit/cost analyses to support such a charge. As set forth above, we have provided the incremental costs for providing necessary metering and meter reading costs for residential customers who require Net Metering. The identification of these costs which is, in fact, a cost study - indicate that Net Metering creates incremental costs to Trico of \$3.38 per month for the wireless meter reading, \$1.00 per month in incremental costs for additional labor for the Net Metering billing and \$1.29 per month for the SmartSynch meter. This totals \$5.67 per month that I believe is justified by the cost

study. Moreover, using the wireless read methodology is much more economical from a cost/benefit analysis perspective than conducting on-site meter reading or than engaging is a massive upgrade of Trico's powerline carrier system for a handful of its 30,000 customers. Moreover, these nominal incremental costs provide Net Metering customers the opportunity to "sell" their excess electricity to Trico – something that would not be possible without these costs.

Even though I believe that Trico could justify a higher monthly charge, it is not seeking to do so at this time.

- Q. Is Trico's \$3.38 administrative charge in line with some of the other incremental charges for net metering permitted for other Arizona electric cooperatives?
- A. Yes. I believe the range that cooperatives were allowed to charge is between \$2.70 (for Sulphur Springs Valley Electric Cooperative, Inc.) to \$6.95 (for Navopache Electric Cooperative, Inc.). Mohave Electric Cooperative, Inc.'s net metering charge is \$5.50 per month. Trico's \$3.38 administrative charge is toward the low end of that range, is comparable to that of other cooperatives, and ties directly to the incremental cost of the net metering.

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- Q. You mentioned Trico's renewable programs above, is there a correlation between Trico's net metering programs and its renewable energy programs?
- A. Yes. Typically net metering customers have installed a renewable system and received incentives or "rebates" from Trico through its Renewable Energy Standard and Tariff Implementation Plan ("REST Plan"). Mr. Arkoosh is no exception, as he received a rebate for a 5,100-Watt rooftop photovoltaic system.

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- Q. How much did Mr. Arkoosh receive as a rebate for his system?
- 2 | A. Mr. Arkoosh received a rebate of approximately \$18,198 for his renewable system.

- Q. How did Trico fund the \$18,198 rebate for Mr. Arkoosh?
- A. The rebate was funded by a surcharge Trico assesses to every member-customer to implement its REST Plan programs. Currently, the residential surcharge is \$2.00 a month.

Q. Given the generous amount Mr. Arkoosh received as a rebate for his renewable system, are you surprised that he is disputing a \$3.38 monthly administrative charge that allows him to reap the full benefit of his renewable system?

A. Yes. Trico had shown in the original case (through the discovery provided to Staff and included in its Petition) how the \$3.38 administrative charge for net metering is entirely reasonable. I, as well as other members of Trico's senior management, have attempted to explain on several occasions the justification for this modest charge. We (meaning the senior management) provided documentation relating to the cost of service and the cost-benefit analysis associated with the increase in Trico's net metering charges beyond those of other customers in the same rate class. We have provided ample explanation and data in accordance with A.A.C. R14-2-2305 of the net metering rules. We are perplexed as to why Mr. Arkoosh continues to pursue this issue – especially considering how he has benefited from Trico's programs overall.

- Q. Does it make sense, Ms. Cathers, to increase Trico's REST surcharge to further offset the communications fee instead of requiring net metering customers with renewable systems to pay \$3.38 per month.
- A. No. Mr. Arkoosh has received a substantial benefit (courtesy all Trico members paying the REST surcharge) in the form of an \$18,198 rebate for his renewable energy system.

It is unfair for Mr. Arkoosh to receive an additional subsidy from these other members (through increasing the REST surcharge or otherwise) to cover the incremental cost for the communications fee – above what is in standard rates for meter reading. Further, Trico's REST funds are committed for the foreseeable future; to divert funds towards covering those incremental net metering costs would take away from renewable programs for other members.

Q. Do you have anything else you would like to add to your testimony?

Yes. Trico has spent considerable time and resources trying to address Mr. Arkoosh's concerns. It has taken significant management time and considerable expense to continue to justify a charge that is both documented and consistent with the Commission's policy on metering charges. Trico has shown that the \$3.38 monthly administrative charge provides a small offset to the overall incremental costs of net metering that Trico incurs to allow the net metering customers to realize the full benefits of their renewable systems. It does not cover all of the costs; to the contrary, it only covers the incremental costs for the monthly communications fee above what is in base rates for meter reading.

My testimony and the evidence that is already in the record in this docket shows that the SmartSynch technology is a cost-efficient and effective way for Trico to implement net metering in its service territory. The Commission has already found the \$3.38 monthly administrative charge to be reasonable and in accordance with its net metering rules. That finding should be affirmed here.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT

"1"

SSI SERVICES AGREEMENT

This SSI Services Agreement ("Agreement") is made and entered into by and between SmartSynch, Inc. ("SSI"), a Delaware corporation, and TRICO ("Company"), a ARIZ ON A corporation.

WHEREAS, SSI provides services in support of and related to its proprietary SmartMeterTM wireless data processing system;

WHEREAS, Company desires to receive SSI's services for use in connection with Company's Application (as defined in Exhibit A); and

WHEREAS, SSI desires to provide its services to Company for use in connection with the Application pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the covenants and obligations contained herein, the parties agree as follows:

- 1. **Definitions**. All capitalized terms used herein shall have the meanings given to them in the terms and conditions set forth in <u>Exhibit A</u> attached hereto and incorporated herein by this reference, unless otherwise indicated.
- 2. Services. SSI agrees to provide to Company the Services, subject to and in accordance with the terms and conditions of this Agreement, including without limitation, the terms and conditions contained on Exhibit A.
- 3. Fees. In exchange for its receipt of the Services, Company agrees to pay SSI the fees and charges set forth in <u>Exhibit B</u> ("Fees Schedule") attached hereto and incorporated herein by this reference.
- 4. Term. The term of this Agreement shall commence as of the date this Agreement is executed by SSI ("Effective Date") and shall continue for a period of two (2) year(s) thereafter ("Initial Term"). The Initial Term of this Agreement will automatically renew for additional, successive one (1) year terms (each a "Renewal Term") upon the expiration of the Initial Term and any Renewal Terms, unless either party notifies the other of its desire to terminate this Agreement no later than sixty (60) days prior to the expiration of the then current term. The Initial Term and all Renewal Terms, if any, shall collectively be known as the "Term" of this Agreement.
- 5. Notice. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, delivered via certified mail return receipt requested, or delivered by a recognized overnight courier. Notice shall be deemed to have been received (a) on the date of delivery when delivered in person and signed for by the person to whom the notice is addressed, (b) on the date of delivery as indicated by the postal service when delivered by certified mail, or (c) on the date of delivery as indicated by the overnight courier when delivered by overnight courier service. Notices shall be delivered to the following persons and addresses, unless otherwise indicated in writing by the parties during the Term:

To SSI: SmartSynch, Inc.

4400 Old Canton Road

Suite 300

Jackson, MS 39211

Facsimile:

Telephone: (601) 362-1780 (601) 362-1787

Attention:

Stephen D. Johnston

To Company:

Telephone:

Facsimile:

Attention:

IN WITNESS WHEREOF, SSI and Company have executed this Agreement as of the Effective Date.

SMARTSYNCH, INC.

By: Title:

Date:

By: Title:

TECHNICAL SERVICES Date:

SSI Services Agreement (includ Exhibit B) - TRICOTRICO

Exhibit A - Terms and Conditions

1. Definitions.

- (a) Affiliate: As applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by", and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person through the ownership of voting securities, by contract or otherwise.
- (b) Airtime Provider: The Person or Persons that provide and control the two-way wireless messaging system network which SSI uses to provide its Data Processing Services.
- (c) Application: The automation systems of Company, including but not limited to automated meter reading.
- (d) Confidential Information: business, marketing, sales, financial or technical information, including, without limitation, any information relating to present and future business operations or financial condition, and all other information of any kind which may reasonably be deemed confidential or proprietary, disclosed by one party to the other pursuant to this Agreement, including without limitation information which is designated or identified as "confidential." "proprietary" or in some other manner to indicate its confidential nature. The terms and conditions of this Agreement will be deemed Confidential Information of both parties. Notwithstanding the above, "Confidential Information" does not include information that (i) is or becomes generally known or available by publication, commercial use or otherwise through no fault of the receiving party; (ii) was known by the receiving party at the time of disclosure by the disclosing party as evidenced by competent written proof; (iii) is independently developed by the receiving party without use of the disclosing party's Confidential Information, reasonable proof of which can be demonstrated by the receiving party; or (iv) is lawfully obtained from a third Person who has the right to make such disclosure without restriction.
- (c) Customer: A customer of Company that is an end-user of the Application.

- (f) Data Processing Services: The collection, analysis and reporting of utility meter data provided by SSI.
- (g) Person: Any individual, company, corporation, firm, partnership, joint venture, association, organization or trust, in each case whether or not having a separate legal identity.
- (h) PIN: A unique, Transceiver specific, personal identification number or other form of identification number to be assigned by SSI in accordance with the provisions of Section 3(b) below.
- (i) Services: The services provided by SSI to Company pursuant to this Agreement including but not limited to Data Processing Services and Training Services.
- (j) SSI Network: That portion of Airtime Provider's two-way wireless messaging system network utilized by SSI to provide its Data Processing Services.
- (k) Training Services: Training programs provided by SSI to Company for instruction in use of the SmartMeterTM system and related software.
- (I) Transceiver: Any fixed location wireless messaging unit owned or controlled by Company that SSI deems acceptable for use on the SSI Network in connection with the Application.

2. Services - Conditions of Use.

- (a) SSI will provide the Services to Company for use only in connection with the Application. Any use of the Services by Company or Customers other than as permitted under this Agreement is expressly prohibited. SSI shall be permitted to provide the Services through its Affiliates.
- (b) SSI's provision of the Services to Company shall at all times be subject to:
- (i) the terms and conditions set forth in this Agreement;
- (ii) the availability of SSI Network; and

- (iii) SSI's or Airtime Provider's approval of the Application and its compatibility with the Services and the SSI Network.
- (c) Should Company's or a Customer's use of the Application adversely affect the SSI Network, any Transceiver, or the ability of SSI or Airtime Provider to provide their respective services in an efficient and timely manner, SSI shall have the right, without any liability to Company or its Customers, to discontinue the provision of Data Processing Services until such time as the problem is resolved to the satisfaction of SSI and Airtime Provider.
- (d) Company shall provide, at no cost to SSI, dedicated or dial-up access lines and trunks (i.e., no 800/888 access) to the SSI Network as may be necessary for data entry and retrieval by Company and/or its Customers. Neither SSI nor Airtime Provider shall have any obligation to provide or supply any such access lines and trunks to Company or its Customers.
- (e) This Agreement shall not constitute an exclusive arrangement between the parties, and, notwithstanding anything to the contrary herein, SSI expressly reserves the right, among other things, to promote, solicit, market and sell the Services, or any other data processing or information services and applications available by or through SSI and its Affiliates, directly or indirectly to other Persons.

3. Transceivers.

- (a) All Transceivers utilized by SSI to provide the Data Processing Services shall comply with the terms and conditions of this Agreement and such other requirements as SSI may provide to Company in writing from time to time. Failure by Company to comply with SSI's policies, directives and procedures for activation may lead to delay in the activation of a Transceiver.
- (b) SSI shall assign a PIN to each Transceiver to be utilized by SSI to provide the Data Processing Services, All PINs assigned by SSI shall remain the property of SSI or Airtime Provider. SSI or Airtime Provider shall have the right to utilize PINs which are not utilized by Company, as well as PINs associated with deactivated Transceivers, as SSI or Airtime Provider may determine from time to time.
- 4. Activation Procedures. Transceivers will be activated for use on the SSI Network within seventy-

- two (72) hours of SSI's receipt of Company's written request for activation.
- 5. Training Services. At Company's request, SSI will provide Training Services at times and locations mutually agreeable to the parties. Company shall bear all Company costs and expenses incurred by Company in receiving the Training Services. Company shall pay to SSI the Training Services fees as set forth in the Fees Schedule. Company shall reimburse SSI for all reasonable out-of-pocket travel and lodging expenses associated with such Training Services.

6. Fees.

- (a) Company shall pay to SSI the fees and charges set forth in the Fees Schedule in exchange for the Services received by Company. The fees and charges reflected in the Fees Schedule are applicable only to Services provided in connection with the Application.
- '(b) The fees and charges set forth in the Pees Schedule apply to Services provided by SSI in the geographic areas covered by the SSI Network as of the Effective Date, and as such geographic areas may be expanded from time to time in the normal course of SSI's business. SSI will cooperate with Company in conveying to Airtime Provider any requests by Company to expand the geographic areas covered by the SSI Network to include Company designated locations. Company acknowledges. however, that any expansion of the geographic areas covered by the SSI Network (i) will be subject to Airtime Provider's approval and timetable for expansion, and (ii) require Company's agreement to activate and maintain an agreed upon level of net additional Transceivers, to pay all or a portion of SSI's and Airthne Provider's expansion costs, and/or pay fees and charges for Services provided in the expanded geographic area over and above the fees and charges set forth in the Fees Schedule. Notwithstanding the foregoing, neither SSI nor Airtime Provider shall have any obligation to expand the geographic areas covered by the SSI Network in response to a request for such expansion made by Company.
- 7: Billing Procedure. SSI shall invoice Company on a monthly basis for all fees and charges incurred by Company under this Agreement. All fees and charges shall be due and payable by Company within thirty (30) days following the date of SSI's invoice.

Any undisputed balance not paid by such due date shall bear interest from and after the invoice date at the lesser of one and one half percent (11/2%) per month (18% per annum) or the maximum rate allowed by law. All sales, use, withholding or other taxes, fees, tariffs, surcharges, assessments or any other charge imposed by a governmental or regulatory authority relating to this Agreement or the Services shall be paid by Company, including but not limited to any taxes, fees, tariffs, surcharges or assessments imposed directly or indirectly on SSI by any such governmental or regulatory authority which shall be passed through to Company by SSI. Company shall be liable for all fees and charges incurred under this Agreement, whether or not Company collects any fees and charges from its Customers.

8. Company Responsibilities.

- (a) Company shall comply with all laws, rules and regulations applicable to Company's business and provision of the Application.
- (b) Company shall be solely responsible for procuring any and all other services necessary for the Application, including, without limitation, the provision of support services to its Customers, and shall be solely responsible for any and all costs and expenses related thereto.
- (c) Company shall be solely responsible for procuring, installing, servicing and maintaining any and all hardware (including, without limitation, Transceivers) and software necessary for Company's use of the Application and Transceivers in connection with the Services.
- (d) Company shall execute and maintain in full force and effect during the term of this Agreement SSI's standard software license for use of the SmartMeterTM system software.

9. Disclaimer of Warranties and Limitation of Liabilities.

(a) EXCEPT AS EXPRESSLY SET FORTH HEREIN, SSI MAKE NO WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE SERVICES, THE TRANSCEIVERS, THE APPLICATION, THE SSI NETWORK, OR ANY COMPONENT THEREOF, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, RELATING THERETO,

- INCLUDING, WITHOUT LIMITATION, THE IMPLIED: WARRANTIES OF MERCHANTABILITY. FITNESS PARTICULAR USE OR PURPOSE OR NON-INFRINGEMENT. Under no circumstances shall SSI or its Affiliates be liable to Company, any Customer or any other Person for any loss, injury or damage, of whatever kind or nature, resulting from or arising out of any mistakes, errors, omissions, delays or interruptions in the receipt, transmission, loss or storage of any messages, signals or information arising out of or in connection with the Services, the Application, or the Application's use of the SSI Network. TUOHTIW LIMITING GENERALITY OF THE FOREGOING, SSI AND ITS AFFILIATES SHALL IN NO EVENT BE LIABLE TO COMPANY, ANY CUSTOMER OR ANY OTHER PERSON FOR INDIRECT, INCIDENTAL OR SPECIAL DAMAGES, LOST PROFITS, LOST SAVINGS OR ANY OTHER FORM OF CONSEQUENTIAL DAMAGES. REGARDLESS OF THE FORM OF ACTION. EVEN IF SSI HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
- (b) EXCEPT WITH RESPECT TO SSI'S INDEMNITY OBLIGATIONS HEREIN, THE LIABILITY OF SSI FOR ANY CLAIM ARISING OUT OF THIS AGREEMENT OR THE SERVICES PROVIDED HEREUNDER, REGARDLESS OF THE FORM OF ACTION, SHALL NOT EXCEED IN THE AGGREGATE THE SUMS RECEIVED BY SSI HEREUNDER DURING THE TWELVE (12) MONTHS PRECEDING THE EVENT WHICH GAVE RISE TO SUCH CLAIM. CLAIMS NOT MADE WITHIN SIX (6) MONTHS AFTER THE FIRST EVENT GIVING RISE TO A CLAIM SHALL BE DEEMED WAIVED BY COMPANY.
- ··(c) Company acknowledges Application utilizes certain wireless messaging services provided through Airtime Provider and its AIRTIME PROVIDER MAKES NO Affiliates: WARRANTIES, **EXPRESS** OR IMPLIED. CONCERNING ITS SERVICES, THE WIRELESS MESSAGING NETWORKS THROUGH WHICH SERVICES ARE PROVIDED, THE APPLICATION OR ANY COMPONENT. THEREOF, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS. OR IMPLIED. RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE. Under no

circumstances shall Airtime Provider be liable to Company or any other Person for any loss, injury or damage, of whatever kind or nature, resulting from or arising out of any mistakes, errors, omissions, delays or interruptions in the receipt, transmission or storage of any messages, signals or information arising out of or in connection with its services, the Application or the Application's use of Airtime Provider's wireless messaging network. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AIRTIME PROVIDER SHALL IN NO EVENT BE LIABLE TO COMPANY OR ANY OTHER PERSON FOR INDIRECT INCIDENTAL OR SPECIAL. DAMAGES, LOST PROFITS, LOST SAVINGS OR ANY OTHER FORM OF CONSEQUENTIAL DAMAGES REGARDLESS OF THE FORM OF ACTION, EVEN IF AIRTIME PROVIDER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

10. Indemnity.

- (a) Company shall defend, indemnify and hold SSI and its Affiliates and all present and future directors, officers, employees and agents thereof harmless from and against any and all liabilities, losses, damages and costs, including reasonable attorneys' fees, resulting from, arising out of, or in any way connected with: (i) any breach by Company of any warranty, representation, covenant or obligation contained herein; (ii) the performance of Company's obligations hereunder; (iii) any use by Company or any Customer of the Application or Services not authorized by this Agreement; or (iv) any breach by SSI of its obligations to Airtime Provider which is directly caused by a breach by Company of any of its obligations hereunder. Company's indemnity obligations under this Section 10 shall survive the termination or expiration of this Agreement.
- (b) Subject to the provisions of Section 9 above, SSI shall defend, indemnify, and hold Company and its Affiliates and all present and future directors, officers, employees and agents thereof harmless from and against any and all liabilities, losses, damages and costs, including reasonable attorneys' fees, resulting from, arising out of, or in any way connected with: (i) any breach by SSI of any warranty, representation, covenant or obligation contained herein; or (ii) the performance of SSI's obligations hereunder. SSI's indemnity obligations under this Section 10 shall survive the termination or expiration of this Agreement.

11. Termination.

- (a) For purposes of this Agreement "Event of Default" shall mean: (i) failure by a party to observe or perform in any material respect any of its material covenants or obligations contained in this Agreement; or (ii) a party's insolvency, assignment for the benefit of creditors, appointment or sufferance of appointment of a trustee, a receiver or similar officer, or commencement of a proceeding seeking reorganization, rehabilitation, liquidation or similar relief under the bankruptcy, insolvency or similar debtor-relief statutes.
- (b) Upon the occurrence of an Event of Default, the party not in default shall have the right to terminate this Agreement upon written notice to the defaulting party if the defaulting party fails to cure such default within thirty (30) days of receiving such notice.
- (c) Upon the termination or expiration of the agreement between SSI and the Airtime Provider, or receipt by SSI of notice to such effect, whichever is earlier, SSI shall have the right to terminate this Agreement upon 30 days written notice to the Company. In such an instance, subject to the terms of Section 9 above, the Company's sole remedy is the return by SSI to the Company of any fees or costs related to the unpaid Services SSI was to provide under the terms and conditions of this Agreement.

12. Rights Upon Termination.

- (a) Upon termination or expiration of this Agreement, SSI and Company, subject to the provisions of Section 12(b) below, will be released from all of their respective obligations occurring or arising after the date of such termination or expiration, except with respect to those obligations which by their nature are designed to survive termination or expiration including without limitation. Sections 6, 7, 9, 10, 12(b) and 13. No termination or expiration of this Agreement will relieve Company from the obligation to pay to SSI any amount due and owing for Services provided or from any liability to SSI arising from Company's breach of this Agreement.
- (b) Upon the termination or expiration of this Agreement, the parties shall cooperate in good faith to wind down the relationship created under this Agreement in an orderly manner. SSI's provision of the Services to Company following the date of any

termination or expiration of this Agreement shall be subject to Company's compliance with the terms and conditions of this Agreement, including, without limitation, Company's timely payment to SSI for Services provided.

13. Confidentiality.

- (a) Each party acknowledges that, during the Term of this Agreement, it may receive Confidential Information of the other party. Each party agrees that it will not use the other party's Confidential Information for purposes other in support of the performance of its obligations under this Agreement. Each party agrees that it will not disclose to third Persons the other party's Confidential Information without the prior written consent of the other party.
- (b) In the event a party is required under applicable law, rule, regulation, court or administrative order to disclose Confidential Information of the other party, the first party shall use commercially reasonable efforts to: (i) give at least ten (10) days prior written notice of such disclosure to the other party; (b) limit such disclosure to the extent practicable; and (c) make such disclosure only to the extent so required. The parties' obligations under this Section 13 shall survive the termination or expiration of this Agreement.
- (c) Upon termination or expiration of this Agreement, all Confidential Information in the possession of one party relating to the business of the other party, in whatever form, shall promptly be returned to that other party upon request.
- (d) Notwithstanding the foregoing disclosure restrictions, SSI shall have the right to (i) make this Agreement available to Airtime Provider for its review and (ii) disclose that it is providing the Services to Company.
- (e) Company agrees and acknowledges that any breach of Company's confidentiality obligations under this Agreement will result in irreparable harm to SSI for which damages would be an inadequate remedy. Therefore, notwithstanding anything in this Agreement to the contrary, Company agrees and acknowledges that SSI, in addition to any other remedies available to SSI, may enjoin Company's breach of its confidentiality obligations contained in this Agreement without the posting any form of bond otherwise required in seeking such relief.

14. Miscellaneous.

- (a) Assignment. This Agreement may not be assigned or transferred by either party to any other Person without the prior written consent of the other party. For purposes of this Agreement, an assignment shall include a change of control of a party or any other transfer by operation of law. Notwithstanding the foregoing, SSI may assign this Agreement without the prior consent of Company to (i) any Person acquiring all of the outstanding stock of SSI or all or substantially all of the assets of SSI, or (ii) an Affiliate of SSI. In the event of any assignment of this Agreement, all lerms and conditions hereof shall be binding upon and inure to the assignce as though such assignce were an original party hereto.
- (b) Announcements. Neither party shall make or issue any public announcement concerning the subject matter of the Agreement without the prior written consent of the other party; provided, however, that Company shall cooperate with SSI in good faith to issue such public announcements when and where appropriate. Notwithstanding the foregoing SSI shall have the right to disclose that it is providing the Services to Company.
- (c) Force Majeure. Neither party will be liable for any nonperformance under this Agreement (other than non-performance of payment obligations hereunder) due to causes beyond its reasonable control that could not have been reasonably anticipated by the non-performing party as of the execution of this Agreement and that cannot be reasonably avoided or overcome including, without limitation, natural catastrophe, labor dispute or strike, act of God, war, act of terrorism, municipal ordinance, state or federal law, governmental order or regulation.
- (d) Independent Parties. None of the provisions of this Agreement shall be deemed to constitute a partnership, joint venture, employment or any other relationship between the parties hereto, and neither party shall have any authority to bind the other in any manner. Neither party shall have or hold itself out as having any right, authority or agency to act on behalf of the other party in any capacity or in any manner, except as may be specifically authorized in this Agreement.
- (e) Governing Law. The validity, construction and performance of this Agreement will be governed by and construed in accordance with

applicable laws of the State of Delaware without regard to its principles of conflict of law.

- (f) Severability. If any provision of this Agreement shall be held to be illegal, invalid, or unenforceable, such provision will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
- (g) No Watver. No delay or failure by either party in exercising any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right.
- (h) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but which collectively will constitute one and the same instrument.
- (i) Headings. The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.
- (j) Construction. This Agreement has been negotiated by the parties and their respective counsel. This Agreement will be interpreted fairly in accordance with its terms and without any strict construction in favor of or against either party based on draftsmanship of the Agreement or otherwise.
- (k) Complete Agreement. This Agreement, including the Software License and other Exhibits attached hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding such subject matter. No amendment to or modification of this Agreement will be binding unless in writing and signed by a duly authorized representative of both parties.

(l) Dispute Resolution. In the event of any dispute controversy or claim arising out of relating to or in connection with this Agreement, including the interpretation, breach, termination or validity thereof, the parties agree to attempt to resolve such dispute. controversy or claim through amicable settlement discussion. Failing resolution of the dispute, controversy or claim within thirty (30) days after initiation of such settlement discussions, either party may submit the dispute, controversy or claim to final and binding arbitration to be conducted in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), then in effect, as modified herein or by mutual agreement of the parties (the "Rules"). Unless otherwise agreed by the parties. the arbitration will be conducted by a single arbitrator selected in accordance with the Rules; provided. however, such arbitrator must be knowledgeable in the field of telemetry. The arbitration shall be conducted in Atlanta, Georgia. The arbitral award shall be in writing and shall be final and binding on the parties and may include an award of costs. including reasonable attorneys' fees disbursements / costs shared. Judgment on the arbitral award may be entered in any court of competent jurisdiction. Each party retains the right to seek judicial assistance (i) to compel arbitration, (ii) to obtain interim measures of protection pending arbitration, and (iii) to enforce any decision of the arbitrator, including the final award. Each party shall continue to perform its respective obligations hereunder pending resolution of any dispute, controversy or claim in accordance with the terms of this Section 14(1).

Exhibit B - Fees Schedule

I. AMR Plan

	Channels	Intervals	Load Profile	Billing Read	On- Demand Reads	Outage/ Restoration Alarms	Monthly Fee
	1	15	Daily	Monthly	2	6	\$7.00
	2	15	Daily	Monthly	2	6	\$9.00
	Additiona	l Reads (incr	remental to	above plan):		
	a. On	-Demand Read	ì				\$0.20
	b. Ou	tage / Restorat	ion Notificati	ion			\$0.10
	c. Me	eter Diagnostic	Alarm				\$0.10
II.	Other Fees				1,•		
	a. CV	U (Coverage V	alidation Un	it) monthly fe		service	\$30.00
		ivation fee per					\$10.00

Addendum No.1 to the SSI Services Agreement

between SmartSynch, Inc. ("SSI") and Trico Electric Cooperative ("Company") executed on the date(s) below and effective as of This Addendum No. 1 (the "Addendum No. 1") to the SSI Services Agreement dated January 20, 2006 (the "Agreement"), (the "Addendum No. 1 Effective Date"). 2008 Januara

- Defined Terms. Except as set forth in this Addendum No. 1, all capitalized terms shall have the meaning as set forth in the Agreement.
- Fees Schedule: Exhibit B of the Agreement is hereby amended to provide for the following pricing: d

	\$1.50 per meter per
neters	\$5.00 per meter nei
	\$7.00 ner meter ner
	\$0.00 per meter per

ar month r month er month

er month

Ratification. The other terms and conditions of the Agreement are not modified except as specifically provided in this Addendum No.1 and the parties hereby ratify the Agreement.

Agreed and Accepted:

SmartSynch, Inc.

Title:

Trico Electric Cooperative

Title:

EXHIBIT

"2"



Invoice

Date	Invoice #		
12/17/2009	6643		

4400 Old Canton Road, Supplied Unit ____ PO Box 12250 Jackson MS 39236 601-362-1780 x1027 www.smartsynch.com

Install Cost Acct 583 584 586

Supplemental Unit 370 - 540

Install Labor \$ 39,35

Loan Project 601 603 604

(740C) 605 610

Bill To

Trico Electric Cooperative PO Box 930 Marana AZ 85653-0930 United States Ship To

Trico Electric Cooperative 8600 W. Tangerine Road Marana AZ 85653 United States

 Terms
 Due Date
 PO #
 Ship Via
 Ship Date

 Net 30
 1/16/2010
 63331
 12/16/2009

Tracking Numbers

059900242

Item	Quantity	Description	Unit Price	Amount
39911230	48	SmartSynch GPRS SmartMeter integrated with Itron CENTRON (C1SI - Demand/TOU/Load profile) Form	235.00	
SM150-ATT	48	2S Class 320 AT&T GPRS SIM Card	10.00	480.00
		55 - 11,760 9	ı	
USED IN MAR	DANIA 5.6	% 658 56	de 2	u c
	JAINA	12 418,56	107.3-	13-
YES	NO	,	Total	\$11,760.00

SmartSynch, Inc.

Remittance Slip

Customer Invoice # Amount Due Amount Paid Trico Electric Cooperative 6643

\$11,760.00

Make Checks Payable To

SmartSynch, Inc. PO Box 12250 Jackson, MS 39236



4400 Old Canton Road Suite 300 Jackson MS 39211 US

Invoice

Date	Invoice #
6/16/2010	7487

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Trico Electric Cooperative PO Box 930 Marana AZ 85653-0930 United States

Ship To

Trico Electric Cooperative PO Box 930 Marana AZ 85653-0930 United States

Terms	Due Date	PO#	Ship Via	Ship Date
Net 30	7/16/2010			

Tracking Numbers

Item	Quantity	Description	(Unit Price	Amount
AT0150 AT0500 AT0700 AT0900	3030 462 771 32	Airtime, Monthly Airtime, Monthly Fee Airtime, Monthly Fee Airtime, Monthly Fee Airtime, Monthly Fee Period: June 1 - 30, 2010 AIRTIME SERVICES		1.50 5.00 7.00 9.00	2,310.00 5,397.00
			Тс	otal	\$12,540.00

SmartSynch, Inc.

Remittance Slip

Customer Invoice # Amount Due

Amount Paid

Trico Electric Cooperative

7487 \$12,540.00

Make Checks Payable To

SmartSynch, Inc. 75 Remittance Drive, Suite 6236 Chicago, IL 60675-6236

EXHIBIT

"3"

HUNT TECHNOLOGIES, LLC 6436 COUNTY ROAD 11 PEQUOT LAKES MN 56472



Phone: 218-562-4877 Fax: 218-562-4878

Federal ID: 41-1588846

Page: 1 Invoice Date

10/12/2009

Invoice

BILL TO

TRICO ELECTRIC CO-OP, INC. WAYNE CHERNI PO BOX 930

MARANA AZ 85653

ЗНІР ТО

TRICO ELECTRIC CO-OP, INC. BILL COOK 8600 WEST TANGERINE ROAD

MARANA AZ 85653

Customer P 63416	O #		Customer ID 002299	Shipped Via UPS GROUND	Order # S00040916	Invoice # 00098445	Due 11/11/2009
QTY Ordered	QTY Shipped	QTY B/O	Item Number	Description		Cost Per Item	Extended Cost
384	384	0	FASY-0539-0002	ENDPOINT TRANSCE	IVER, TS2 CENTRON 24	\$73.00	\$28,032.00
			Drop Ship F	rom Laredo, TX			

Install Cost Acet 583 584 586

Record Unit 370 43

Install Labor \$ 50 4

Loan Project 601 603 604

(740C) 605 610

voided eartier invoice

107.3-535

Subtotal
Tax
Freight
Discount

\$28,032.00 \$1,569.80 \$101.00 \$0.00

Terms: 2%10/NET30

Discount:

\$562.66 Due:

10/22/2009

Committee of the second of the second

Please Pay This Amount In US Dollars

\$29,702.80

REMIT TO ADDRESS:

Hunt Technologies, LLC NW 7447 PO Box 1450 Mpls, MN 55485-7447



Zia Electrical Products

P.O. Box 482 Mountainair, NM 87036

(505)847-2864 Fax-(505)847-0149

Invoice

DATE	INVOICE#
6/25/2010	12856

BILL TO

Trico Electric Co op

Attn: Accounts Payable

P.O. Box 930

Marana, AZ 85653-0930

611	חו	TO

Trico Electric Co op 8600 w. Tangerine Rd Marana, AZ 85653

P.O. NUMBER	TERMS	DUE DATE	SHIP	VIA	F.O.B.	PROJECT
63471	Net 30	7/25/2010	6/25/2010			
QUANTITY	ITEM CODE	DESCRIPTION			PRICE EACH	AMOUNT
192 005		Focus 2S Meter w/Trico TS2 Installed 28.00 EA1100UL-0L79			5,376.00	
	Install Cos Record Un Install Lab Loan Proje (740C)	it 370 cors 47 ecct 601 60				
	YES	IN MARA	-	-3 - 535	5730.82	
hank you for your business.				btotal	\$5,376.00	
	Sales Tax (5.6%)			\$0.00		
				Ва	alance Due	\$5,376.00